



Office of City Auditor Memorandum

Date: November 27, 2002

To: Carol Everson, Finance Director, Finance & Administration Branch, Seattle City Light

From: Scottie Nix, Assistant City Auditor for Internal Controls

Subject: **Seattle City Light's Finance Division Reorganization**

Thank you for the opportunity to work with you and your staff to improve the internal control system at Seattle City Light's (SCL) Finance Division Accounts Payable and Procurement Unit. Your staff was professional and cooperative in expediting the completion of this project. I welcome any opportunity to work with them in the future.

BACKGROUND

As you requested, the Office of City Auditor conducted a review of the reorganization of SCL's Accounts Payable, Contract, and Procurement units into one entity. You indicated that the objective of the reorganization was to conserve resources and improve efficiency. You requested that we determine whether the work responsibilities of the employees' in the new unit were distributed in a manner that did not compromise internal control objectives and maintained adequate segregation of duties.

CONCLUSION

Overall, we determined that the new Accounts Payable and Procurement Unit has reasonable controls over its employees' use of City systems. Within the narrow scope of this review, we did not discover major issues or weaknesses, although we identified opportunities for improvements.

REVIEW SCOPE AND METHODOLOGY

We reviewed the roles and responsibilities of the SCL Accounts Payable and Procurement Unit's managers and staff, and their Summit operator class assignments. (See Attachment 1, where we provide details on the employees' operator class assignment.) We also conducted a high level review of the internal control systems in the following areas to identify security improvements: Accounts Payable; Contracts; Material Control, and the Accounts Payable Accountant position.

To conduct this review we interviewed the manager of the new unit and the employees that report directly to him. The focus of the interviews was to obtain an understanding of the daily work activities of the unit's managers, supervisors and their employees. We also discussed their access to and use of Summit (the City's accounting and financial system) in executing their daily responsibilities. We asked the unit's four supervisors to complete internal control questionnaires regarding all procurement and accounting activities that would be combined under the reorganization. Then we reviewed their responses to identify whether any staff members were responsible for duties that could potentially conflict with SCL's internal control objectives. Specifically, questionnaire responses indicated whether Procurement Unit staff members were

responsible for performing any accounts payable-related tasks, or whether Accounts Payable Unit staff members were responsible for any procurement-related duties.

We also obtained the Summit Operator Settings report, which identified the level of security and category of Summit operations that individual City employees are able to access. Using this report, we reviewed the Summit access for individual staff members within the Accounts Payable and Procurement units to determine whether their access seemed reasonable based on their daily responsibilities and work objectives. We also reviewed the report with the unit's manager and supervisors and verified that no fictitious employees were listed.

We reviewed pages 7 and 8 of the Summit Security manual and the Summit Vendor File Process Guidelines that were revised October 1, 2001. We used the guidelines to review the vendor approval process for new vendors.

We also reviewed our office's May 13, 1999 Summit Pre-Implementation Security Review report to obtain information about the inherent risks associated with the Summit system.

Restrictions on the Review's Scope

We did not perform any procedures related specifically to the Passport system, which is SCL's automated stock inventory and supplies ordering and tracking system.

OPPORTUNITIES FOR IMPROVEMENT

- Timeline for transition to the new organization

Currently, the new manager of the combined unit has a large amount of Accounts Payable responsibilities, including the evaluations of all Accounts Payable staff, daily involvement with the travel desk, and routine approval of payment documents.

We recommend that the new manager develop a plan, with a timeline, to delegate all daily operational duties related to Accounts Payable management to the Accounts Payable supervisor and the accountant who reports directly to him. This would permit the manager to focus on overall management of the new unit, which consists of SCL's former Contracts, Accounts Payable and Procurement Units.

- Recommendations for corrective actions communicated informally to new unit manager

In a meeting with Scott Hayes, the new unit's manager, we recommended that the dollar limit for employee Rosemarie Nichols be reduced and that an operator screen business unit be assigned to employee Jed Call. Mr. Hayes stated that these two recommendations would be implemented immediately. Subsequently, he told us that the recommended actions had been completed.

cc: Jan Drago, Councilmember, Chair, Finance, Budget, Business & Labor
Scott Hayes, Manager, Accounts Payable and Procurement, Seattle City Light
Mike Honeycutt, Accountant, Accounts Payable
Donna Sherrill, Acting Supervisor, Accounts Payable
Paul Rudd, Acting Manager, Material Control
Ginny Habib, Acting Supervisor, Contracts Coordination
Susan Cohen, City Auditor
Ruth Riddle, State Auditor's Office

Attachment 1

Summit Operator Settings for the New Unit

Employee Name	Assignment	DeptID	Operator Unit	Operator Classification	Dollar Limit
Arledge,Christina V	Accounts Payable	L0541	SCL	CTYAP1	\$31,000,000
Ngo,Thuy T	Accounts Payable	L0541	SCL	CTYAP1	\$31,000,000
Wong,Miu San	Accounts Payable	L0541	SCL	CTYAP1	\$31,000,000
Alvarez,Maria Luisa	Accounts Payable	L0541	FFD	CTYAP1	\$10,000,000
Alvarez,Maria Luisa	Accounts Payable	L0541	SCL	CTYAP1	\$1,000,000
Duong,Kellie	Accounts Payable	L0541	SCL	CTYAP1	\$500,000
Kader,Ghazy M	Accounts Payable	L0541	SCL	CTYAP1	\$500,000
Lin,Changqing	Accounts Payable	L0541	SCL	CTYAP1	\$500,000
Tong,Mimi L	Accounts Payable	L0541	SCL	CTYAP1	\$500,000
Call,Jedediah G	Accounts Payable	L0541		CTYAP1	\$5,000
Nguyen,Elizabeth T	Accounts Payable	L0541	SCL	CTYAP1	\$0
Honeycutt,Michael Alan	Accounts Payable	L0541	SCL	CTYAP3	\$31,000,000
Sherrill,Donna M	Accounts Payable	L0541	SCL	CTYAP3	\$5,000,000
Habib,Genevieve C	Contracts	L0554	SCL	CTYPO7	\$0
Olmos Vargas,Magda T	Contracts	L0554	SCL	CTYPO7	\$0
Rayray,Kimberly B	Contracts	L0554	SCL	CTYPO7	\$0
Hayes,Scott Ellis	Manager	L0541	SCL	CTYAP3	\$0
Napoleon,Rose M	Material Control	L0554	SCL	CTYPO1	\$0
Gallow,Lynda A	Material Control	L0554	SCL	CTYPO1	\$0
Atwood,Cheryl A	Material Control	C8721	FIN	CTYPO2	\$0
Nichols,Rosemarie	Material Control	L0554	SCL	CTYPO7	\$100,000,000
Blankenship,Charles E	Material Control	L0554	SCL	CTYPO7	\$0
Greenfield,Marsha L	Material Control	L0554	SCL	CTYPO7	\$0
Johnson,Jean A	Material Control	L0554	SCL	CTYPO7	\$0
Owens,James Peter	Material Control	L0554	SCL	CTYPO7	\$0
Rudd,Paul T	Material Control	L0554	SCL	CTYPO7	\$0
Saxby,Catherine L	Material Control	L0554	SCL	CTYPO7	\$0
Weiland,Lila Irene	Material Control	L0554	SCL	CTYPO7	\$0